



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 17, 2011

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **FAMILIESFIRST, INC., (EMQ FAMILIESFIRST) – A DEPARTMENT OF  
MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY  
SERVICES CONTRACT SERVICE PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

We completed a review of FamiliesFirst, Inc., (also called EMQ FamiliesFirst, Inc., referred to in this report as FamiliesFirst or Agency), to determine the Agency's compliance with two separate County contracts. The Department of Mental Health (DMH) contracts with FamiliesFirst to provide mental health services, including interviewing Program participants, assessing their mental health needs and implementing a treatment plan. The Department of Children and Family Services (DCFS) contracts with the Agency to operate the Wraparound Approach Services (Wraparound) Program, which provides services to children and their families, such as therapy, housing, education and social assistance.

The purpose of our review was to determine whether FamiliesFirst provided the services required by the DMH contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines.

DMH paid FamiliesFirst approximately \$4.1 million on a cost-reimbursement basis for Fiscal Year (FY) 2009-10. DCFS paid FamiliesFirst approximately \$569,000 on a fee-for-service basis for FY 2009-10. The Agency's office is located in the Third District.

### **Results of Review**

FamiliesFirst maintained adequate internal controls over its business operations. The Agency appropriately allocated shared Program expenditures, and maintained sufficient documentation to support Program expenditures charged to the DMH and Wraparound Programs.

In addition, FamiliesFirst maintained documentation to support the service minutes reviewed, and the staff assigned to the DMH Program possessed the required qualifications. However, the Agency did not adequately describe the symptoms and behaviors in the Assessments used to support the Agency's clinical diagnosis for 11 (55%) of the 20 clients sampled.

*FamiliesFirst's attached response indicates that they created enhanced mechanisms for reviewing Assessments.*

Details of our review, along with a recommendation for corrective action, are attached.

### **Review of Report**

We discussed the results of our review with FamiliesFirst, DMH and DCFS. The Agency's attached response indicates agreement with our finding and recommendation. DMH will ensure that the recommendation is implemented.

We thank FamiliesFirst management for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jackie Contreras, Ph.D., Interim Director, DCFS  
Dr. Marvin J. Southard, Director, DMH  
Robert A. Archer, Chair, Board of Directors, FamiliesFirst  
Martine Singer, Executive Director, FamiliesFirst  
Public Information Office  
Audit Committee

**FAMILIESFIRST, INC.**  
**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS**  
**FISCAL YEAR 2009-10**

**BILLED SERVICES**

**Objective**

Determine whether FamiliesFirst, Inc., (FamiliesFirst or Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

**Verification**

We selected 35 billings, totaling 3,655 minutes from the 262,712 service minutes of approved Medi-Cal billings for April and May 2010. These were the most current billings available at the time of our review (December 2010). We reviewed the Assessments, Client Care Plans and Progress Notes in the clients' charts for the selected billings. The 3,655 minutes represent services to 20 clients.

**Results**

FamiliesFirst maintained documentation to support the service minutes billed to DMH, and completed the Progress Notes as required by the County contract. However, FamiliesFirst did not complete some elements of the Assessments in accordance with the County contract requirements. Specifically, the County contract requires the Agency to follow the Diagnostic and Statistical Manual of Mental Disorder (DSM) when diagnosing clients. DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them. We noted that, for 11 (55%) of the 20 clients sampled, FamiliesFirst did not adequately describe the clients' symptoms and behaviors consistent with the DSM to support the diagnosis on their Assessments.

**Recommendation**

1. FamiliesFirst management ensure that Assessments are adequately documented and completed in accordance with the County contract.

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether FamiliesFirst's treatment staff had the qualifications required to provide the Program services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 17 treatment staff who provided services to DMH clients during April and May 2010.

**Results**

Each employee reviewed had the qualifications required to provide the billed services.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether FamiliesFirst had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, and deposited in their bank account timely.

**Verification**

We interviewed FamiliesFirst management and reviewed the Agency's financial records. We also reviewed four bank reconciliations for October 2010.

**Results**

FamiliesFirst had adequate controls to ensure that revenue and cash were recorded properly and deposited timely.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether FamiliesFirst's Cost Allocation Plan was prepared in compliance with the County contract and used to allocate shared expenditures appropriately.

**Verification**

We reviewed the Agency's Cost Allocation Plan, and selected 11 shared expenditures, totaling \$30,217, incurred between June 2010 and October 2010, to ensure that the expenditures were allocated among the Agency's programs appropriately.

**Results**

FamiliesFirst prepared their Cost Allocation Plan in compliance with the County contract, and allocated their shared expenditures appropriately.

**Recommendation**

None.

**EXPENDITURES****Objective**

Determine whether the DMH and DCFS Wraparound Approach Services (Wraparound) Program-related expenditures were allowable under their County contracts, documented properly and billed accurately.

**Verification**

We interviewed Agency personnel and reviewed financial records and documentation for 50 DMH and Wraparound Program expenditures, totaling \$184,157, between July 2006 through December 2007. In addition, we performed follow-up testwork between September and October 2010 on four DMH and Wraparound Program expenditures, totaling \$17,145.

**Results**

FamiliesFirst's expenditures were allowable, billed accurately and supported by documentation as required.

**Recommendation**

None.

**FIXED ASSETS****Objective**

Determine whether fixed asset depreciation expenditures charged to the DMH and Wraparound Programs were allowable under the County contracts, documented properly and billed accurately.

**Verification**

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we reviewed the depreciation expenses charged to the DMH and Wraparound Programs, totaling \$2,109, during October 2010.

**Results**

The depreciation expenditures for the sampled items charged to the DMH and Wraparound Programs were calculated correctly, documented properly, and billed accurately.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were charged to the DMH and Wraparound Programs appropriately. In addition, determine whether personnel files were maintained as required.

**Verification**

We traced the payroll expenditures, totaling \$39,354, for eight employees to the payroll records for October 2010, and reviewed the eight employees' personnel files.

**Results**

FamiliesFirst's payroll expenditures were charged to the DMH and Wraparound Programs appropriately. In addition, the Agency maintained the personnel files as required.

**Recommendation**

None.

**COST REPORT**

**Objective**

Determine whether FamiliesFirst's Fiscal Year (FY) 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

**Results**

FamiliesFirst's Cost Report reconciled to the Agency's accounting records.

**Recommendation**

**None.**



March 16, 2011

## EMQ FamiliesFirst

Wendy L. Watanabe  
Auditor Controller  
County of Los Angeles  
500 West Temple Street, Room 525  
Los Angeles, CA 90012

**RE: FAMILIES FIRST, INC DBA EMQ FAMILIES FIRST CONTRACT  
REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND  
MENTAL HEALTH SERVICE PROVIDER**

Dear Ms. Watanabe,

We appreciate the feedback from your audit of FamiliesFirst, Inc. Here is the response to your recommendation:

**BILLED SERVICES**

**Recommendation:**

FamiliesFirst management ensure that Assessments are completed in accordance with the County contract.

**Action Plan:**

Immediately following the Auditor-Controller's exit conference several meetings and discussions took place to review deficiencies. Program leadership, clinical supervisors and clinicians were informed of deficiencies identified in assessment documents and ways to improve documentation supporting diagnosis/ses given. Communication occurred via e-mails, face-to-face meetings, and QA attendance at staff meetings to train and field direct questions. Program leadership created enhanced mechanisms for reviewing assessment documents, especially for clients in treatment 12 months and longer. We are continuing discussions on how to create increased consistency in assessment and documentation information across our region (i.e.: standardized agency training, QA support materials, Frequently Asked Questions document ,refresher training on LACDMH's "Clinical Loop", etc.).

Should you have additional questions please don't hesitate to contact me by phone at 408-364-4019, or email [eammerman@emqff.org](mailto:eammerman@emqff.org).

Sincerely,

Ellen Ammerman  
Chief Financial Officer